

97-84253-28

Levy, Louis Edward

Business, money and
credit

Philadelphia

1896

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

332

Z

v 18

70343 Levy, Louis Edward. 1846-1913.

332.42 P653

Business, money and credit. A review of the relation of exchange to the medium of exchange, with special regard to metallic money as the measure of market values. By Louis Edward Levy. Philadelphia, The Levytype Co., 1896.

29, [1] p. 24^{cm}.

Vol. of pamphlets.

Another copy in Seligman Library. 1896.

189618

RESTRICTIONS ON USE: Reproductions may not be made without permission from Columbia University Libraries.

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm

REDUCTION RATIO: 11:1

IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 11-20-97

INITIALS: JP

TRACKING # : 29887

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

BIBLIOGRAPHIC IRREGULARITIES

MAIN ENTRY: Levy, Louis Edward

Business, money and credit

Bibliographic Irregularities in the Original Document:

List all volumes and pages affected; include name of institution if filming borrowed text.

____ Page(s) missing/not available: _____

____ Volume(s) missing/not available: _____

____ Illegible and/or damaged page(s): _____

____ Page(s) or volume(s) misnumbered: _____

____ Bound out of sequence: _____

____ Page(s) or volume(s) filmed from copy borrowed from: _____

____ Other: _____

X

(1) page between pages [2] - [3]

____ Inserted material: _____

TRACKING#: MSH29887

P49
5R

No 2

322
11
18
12

BUSINESS, MONEY AND CREDIT.

A Review of the Relation of Exchange
to the Medium of Exchange, with
Special Regard to Metallic
Money as the Measure
of Market Values.

BY

LOUIS EDWARD LEVY.

THE LEVYTYPE CO., PUBLISHERS,
630-632 Chestnut Street,
PHILADELPHIA.
1896.

LIBRARY OF

THE
SOCIETY OF
NEW YORK

PUBLICATIONS OF THE

LEVYTYPE COMPANY, PHILA.,

630, 632 CHESTNUT STREET, Cor. Seventh St.

Album of Reproductions of Selected Works from the Permanent Collections of

The Pennsylvania Academy of the Fine Arts.

A highly artistic Livre-de-Luxe, 66 pages, large quarto, enamelled paper, bound in card-board covers, cloth back. Price, \$1.00.

Engraved and printed for the Academy by the Levytype Co., Phila.

For sale by all booksellers.

Forty Works of Art from the 63d Annual Exhibition of the Pennsylvania Academy of the Fine Arts.

44 leaves; 88 pages, octavo; artistically printed and bound in heavy paper covers. Price, 25 cents.

Published under the auspices of the Pennsylvania Academy of the Fine Arts, Philadelphia.

For sale by all booksellers.

Catalogue of the W. P. Wilstach Collection,

Memorial Hall, Fairmount Park, Phila. Edited by Carol H. Beck. 104 pages, 12 mo., bound in heavy paper cover, cloth back. 25c.

Engraved and printed for the Commissioners of Fairmount Park, Phila., by the Levytype Co.

For sale by all booksellers.

Washington; The Federal City.

An illustrated guide book for the city of Washington, descriptive of its History, Official Life, points of interest and environs.

By Eugene Murray Aaron.

Illustrated by 100 photo-engravings of principal objects of interest in the capital city and two maps, 88 pages, 12 mo., paper covers, cloth back, Levytype edition. Price 25c. This is the most compendious and accurate guide book to Washington, Mount Vernon, and the District of Columbia thus far published. A complete historical and topographic encyclopedia of its subject.

For sale by all booksellers. The Union News Co., New York city, General Agents.

The Golden Day and Miscellaneous Poems,

By William T. Dumas. Broad octavo, 144 pages, cloth, price \$1.

These beautiful lyrics, gleaned from the works published from time to time by Prof. Wm. T. Dumas, of Sparta, Ga., present in a truly poetic garb the life and spirit of the Sunny South. They have found an appreciative audience, not only throughout the South, but wherever the memories of its former days are harmonized with the realizations of the present.

For sale by all booksellers.

PUBLICATIONS OF THE LEVYTYPE COMPANY, PHILA.,

630, 632 CHESTNUT STREET, Cor. Seventh St.

The Dinner Horn, by Wm. T. Dumas.

Illustrated by Paul T. Hill. An Album of 24 leaves, embracing a pictorial title page and the 16 stanzas of "The Dinner Horn," admirably illustrated, each stanza and illustration on a separate leaf. An artistic Livre-de-Luxe, sumptuously printed and bound, gilt edges, long octavo, album style. Price \$1.00.

For sale by all booksellers.

From Independence Hall Around the World,

By F. Carroll Brawster, LL. D. 216 pages, 12 mo., copiously illustrated, enamelled paper, fine cloth binding. Price \$1.50.

The book contains over 70 phototypes of salient and interesting subjects, which have been selected especially with the view to supplementing the traveler's narrative to the fullest possible extent.

For sale by all booksellers.

The Jewish Year,

Illustrated by pictures of old-time Jewish Family Life, Customs and Observances, from the paintings by Prof. MORITZ OPPENHEIM, with historical and explanatory text by LOUIS EDWARD LEVY.

An imperial folio volume (17 x 21), containing 20 Levytype autographic reproductions of the original paintings, mounted on boards, and some 50 folio pages of superbly printed text, securely bound in heavy half Russian covers. Price, \$20.00.

For sale by all booksellers.

The Jews of Philadelphia.

Their history from the earliest settlements to the present time.

By Henry Samuel Morais, Author of "Eminent Israelites of the Nineteenth Century," etc. Limited edition; 592 pages, octavo.

Price, \$2.50.

For sale through all booksellers.

The American Jew as Patriot, Soldier and Citizen,

By Hon. SIMON WOLF. Edited by LOUIS EDWARD LEVY. 592 pp., octavo. Price \$2.00.

This work has been undertaken by the author in response to suggestions arising out of published contentions on this subject, and the net profits of its sale are devoted wholly and exclusively to the Hebrew Orphans' Home, established in Atlanta, Ga., under the auspices of the Southern District of the Order B'nai B'rith, of which Mr. Wolf is President.

For sale by all booksellers.

PUBLISHED BY THE
LEVYTYPE COMPANY, PHILA.,
630, 632 CHESTNUT STREET, Cor. Seventh St.

Cuba and the Cubans

BY

RAIMUNDO CABRERA

MEMBER OF THE CENTRAL EXECUTIVE COMMITTEE OF THE
AUTONOMIST PARTY OF CUBA, ETC., ETC.

Author of "Mis Buenos Tiempos," "Los Estados Unidos," "Impresiones de
Viaje," Etc., Etc.

TRANSLATED FROM THE EIGHTH SPANISH EDITION OF
"CUBA Y SUS JUECES"

BY **LAURA GUITERAS**

REVISED AND EDITED BY

LOUIS EDWARD LEVY

ILLUSTRATED WITH 61 LINE ENGRAVINGS OF PORTRAITS AND LOCALI-
TIES, AND 16 LARGER PORTRAITS IN PHOTOTYPE.

96 Pages, 12 Mo., Bound in Cloth PRICE \$1.50

This translation of Senor Cabrera's masterly work on Cuba renders accessible to English readers the most authentic, comprehensive and thorough statement of the Cuban question that has emanated from the press. It has the advantage of presenting the subject in a spirit free from the taint of the present armed conflict between the Cuban colonists and the mother country, the original work having been published in Cuba and throughout Spain some years before the present struggle began. It commanded the universal attention of the Spanish speaking world from its first publication in 1887, since which time it has gone through eight editions of the Spanish, successively amplified by the author with notes, appendices and illustrations.

Senor Cabrera deals with his subject-matter from the vantage ground of an acknowledged leadership of the Autonomist party of Cuba, and his work, although voicing the demands of the Cuban people for reforms which Spain has consistently postponed or absolutely refused, has commanded the recognition and respect of Spanish statesmen of the first rank.

With scholarly insight and thorough analysis, Senor Cabrera traces the existing social, political and economic condition of Cuba and its people with an impartial pen, in brief but effective outlines and in a lucid and trenchant style. No other contribution to the literature of this important subject compares with this work as an authoritative presentation, and as such it appeals to the attention of the American public.

For Sale by all Booksellers. Price \$1.50.

BUSINESS, MONEY AND CREDIT.

A Review of the Relation of Exchange
to the Medium of Exchange, with
Special Regard to Metallic
Money as the Measure
of Market Values.

BY

LOUIS EDWARD LEVY.

THE LEVYTYPE CO., PUBLISHERS,
630-632 Chestnut Street,
PHILADELPHIA.
1896.

INTENTIONAL SECOND EXPOSURE

PUBLISHED BY THE
LEVYTYPE COMPANY, PHILA.,
630, 632 CHESTNUT STREET, Cor. Seventh St.

Cuba and the Cubans

BY

RAIMUNDO CABRERA

MEMBER OF THE CENTRAL EXECUTIVE COMMITTEE OF THE
AUTONOMIST PARTY OF CUBA, ETC., ETC.

Author of "Mis Buenos Tiempos," "Los Estados Unidos," "Impresiones de
Viaje," Etc., Etc.

TRANSLATED FROM THE EIGHTH SPANISH EDITION OF
"CUBA Y SUS JUECES"

BY **LAURA GUITERA**

REVISED AND EDITED BY

LOUIS EDWARD LEVY

ILLUSTRATED WITH 64 LINE ENGRAVINGS OF PORTRAITS AND LOCAL-
ITIES, AND 16 LARGER PORTRAITS IN PHOTOGRAPHY.

346 Pages, 12 Mo., Bound in Cloth . . . PRICE \$1.50

This translation of Senor Cabrera's masterly work on Cuba renders accessible to English readers the most authentic, comprehensive and thorough statement of the Cuban question that has emanated from the press. It has the advantage of presenting the subject in a spirit free from the rancor of the present armed conflict between the Cuban colonists and the mother country, the original work having been published in Cuba and throughout Spain some years before the present struggle began. It commanded the universal attention of the Spanish speaking world from its first publication in 1887, since which time it has gone through eight editions of the Spanish, successively amplified by the author with notes, appendices and illustrations.

Senor Cabrera deals with his subject-matter from the vantage ground of an acknowledged leadership of the Autonomist party of Cuba, and his work, although voicing the demands of the Cuban people for reforms which Spain has constantly postponed or absolutely refused, has commanded the recognition and respect of Spanish statesmen of the first rank.

With scholarly insight and thorough analysis, Senor Cabrera traces the existing social, political and economic condition of Cuba and its people with an impartial pen, in brief but effective outlines and in a lucid and trenchant style. No other contribution to the literature of this important subject compares with this work as an authoritative presentation, and as such it appeals to the attention of the American public.

For Sale by all Booksellers. Price \$1.50.

BUSINESS, MONEY AND CREDIT.

A Review of the Relation of Exchange
to the Medium of Exchange, with
Special Regard to Metallic
Money as the Measure
of Market Values.

BY

LOUIS EDWARD LEVY.

THE LEVYTYPE CO., PUBLISHERS,
630-632 Chestnut Street,
PHILADELPHIA.
1896.

Literary Notes.

The Demonetization of Gold.

Mr. Louis Edward Levy, who was for some years editor and one of the proprietors of *The Evening Herald*, has written an article on the money question which has been published by the Levytype Company in pamphlet form under the title "Business, Money and Credit." Mr. Levy's treatment of the subject is altogether unique. He declares both parties in the pending controversy over the financial issue to be partly right and partly wrong, and proposes a compromise on the basis of the demonetization of gold and its replacement by what he calls "Plenary Credit," practically the credit of the Government. Apart from the peculiar both-sidedness of Mr. Levy's argument, this proposition is the real gist of his writing.

He starts with the premise that the law of supply and demand absolutely determines the exchange value of everything in the market, including, of course, money, and proceeding from this standpoint he admits the contention of the silverites that gold has increased in market value and that the increased value of gold is apparent in the decrease of prices as measured in gold. The fact that goods are "cheap" is held to be simply the same as saying that money is "dear."

Mr. Levy contends that our financial conditions are disordered through the rise in the value of gold and that the agitation for a change of our money system is caused by this disorder. The Bryanite contention that a commodity as money is no longer a commodity is shown to be a fallacy, but on the other hand, while silver basis money is denounced as "a swindle," our present gold basis money is denounced as "a snare." The increased market value of gold is considered as due to the increased demand for gold in the requirements of business, and from this standpoint Mr. Levy considers the relation of gold to money and credit in our present fiscal system.

"Gold money is not a perfect money," says Mr. Levy, basing his idea on the proposition that gold being a commodity is subject, like all other commodities, to the law of supply and demand, and that it is therefore a fluctuating standard of value. Silver, being also a commodity, and therefore subject to fluctuations in market value, is considered to be a worse standard than gold—because it fluctuates more. From this point of view Mr. Levy deals with the subject of a bimetallic standard, and arrives at the conclusion that such a system is impracticable, because the fluctuating relations of the two metals make it impossible to maintain their parity except through Government credit. Thus our present silver money is considered as credit money, because its parity with gold is maintained not on the basis of the silver itself, but on the promise and credit of the Government and on its ultimate exchangeableness with gold money or its equivalent. Our whole existing currency system is sharply criticized and condemned as foolish.

To remedy the existing difficulty and to avoid its possible recurrence, Mr. Levy proposes a system composed of interconvertible bonds and currency, the bonds to bear interest at about 3 per cent., payable in gold, and the currency to be redeemable in bonds only, but both to be interconvertible on demand. The idea of a convertible currency is by no means new, but Mr. Levy formulates an original scheme in relation to such a currency in his proposition to reverse the present method and issue the convertible bonds only for paper money, and not for gold or coin of any kind. This procedure, Mr. Levy maintains, will result practically in the demonetization of gold, which, he urges, should be made a complement of the demonetization of silver, which has already been effected.

The pamphlet is printed with a running syllabus on the margin of the pages, which aids the reader in following the intricacies of the subject. The treatise has at least the advantage over much of the current financial discussion in being lucid and plain and cannot fail to interest the reader.

PREFATORY NOTE.

It is manifest that the question at issue between the advocates of free silver coinage and the supporters of the existing money system resolves itself finally into a question of the relation of exchange to the medium of exchange.

The contention of the advocates of free silver coinage is based on the proposition that the free coinage of gold separates that commodity from all others and gives it an independent position as a standard of market values, and that the free coinage of silver would give that commodity a like position in the market.

It is absolutely true that the relative or exchange value of commodities is determined by their relative supply and demand, and with this positive truth as a guide, it is attempted in the following review of the question at issue to arrive at such conclusions regarding it as may be logically deduced from undisputed facts.

PHILADELPHIA, Sept., 1896.

BUSINESS, MONEY AND CREDIT.

A REVIEW OF THE RELATION OF EXCHANGE TO THE MEDIUM
OF EXCHANGE, WITH SPECIAL REGARD TO METALLIC
MONEY AS THE MEASURE OF MARKET VALUES.

Formulated as the creed of a political party, a demand is made for a fundamental change of our monetary system. The demand for some change is not new; we have heard it often before this. Projects of currency reform by which the money system of the country would be changed from the existing basis to some other are not new; they have been proposed from time to time, and some of them tried from time to time. Among these propositions has been a scheme of "fiat" money, that is, paper currency irredeemable in any way except as tax payments to the Government, and in quantity unlimited in any way except by the will of a majority as expressed through the Government. Of this system we had ample experience during the war, and after that up to 1879. A scheme for the use of silver along with gold as the basis of our money system has been proposed within a recent period, and we have become familiar with its theory of an international bimetallic system through years of discussion, and with its practice as a national system through years of experience. And after all these discussions and experiences, we are confronted with another demand for change, a demand more urgent and a change more fundamental than any that have been presented heretofore.

Why is it that these demands for a change of our money system recur so constantly? And why is it that this agitation has gradually become more general and the demand more pressing until the movement is more widespread and the demand more positive than ever before?

It is simply because the conditions which have given rise to the agitation have gradually become more general and more oppressive.

The demand for a change in our Money System.

Former Demands for a change.

Changes heretofore tried.

The present Demand more urgent.

Why this recurring Agitation?

Conditions grow more oppressive.

oppressive, and are being felt with increasing force by an increasing number of the people.

Our money system has all along been based upon gold as the standard of market value, and the demand now is to change the system so that silver shall become a part of the standard along with gold. Experience, apart from all theory, has proven that two metals or other commodities cannot, for any length of time, be made conjointly the standard of market value, and that one of them inevitably becomes the standard by which the exchange or market value of the other metal, and of all other commodities, is measured. But notwithstanding all our experience, recent as it is, the demand is still definitely made for silver along with gold, or even for silver in place of gold, as the basis of our money system.

The discussion of the project has been going on for years; it had been considered as closed three years ago by the repeal of the Silver Purchase law of 1890, but it has again been opened by an imperative demand; and we are again called upon to choose between maintaining our existing money system and the alternative of a sudden and radical change.

It is clearly not an altered condition that we are thus brought to face, but simply a realization of what that condition is, and what it means. The condition is that of an all-pervading economic disorder, and the present alteration in its aspect means only that having gone through a chronic to an acute stage, it has now become critical.

No one will dispute that our economic conditions are disordered, or that the disorder is at a critical stage, but no two will fully agree as to the cause of the disorder, or a means of cure. Some will be found to insist that the crisis has been caused by the abrupt movement of a large party of our people, in other words, that it has resulted as the outcome of the Chicago Convention, while others perceive that the movement itself, and the outcome of that Convention, have been caused by the acute state of our disorder. The latter contention is true, of course. Great popular movements follow only after long-continued popular unrest. The outcome of the Chicago Convention was an effect of our economic disorder, not the cause; the Convention itself was only an incident of the crisis, and only its most commanding expression.

The proposition to change our existing monetary system as presented by the advocates of an arbitrary silver coinage rests upon the assumption that the exchange or market value of a commodity is no longer dependent on its relative supply and demand when that commodity is authoritatively determined as a medium of exchange. In other words, it is assumed that the exchange value or market price of a product, when declared to be money, can be dictated by law without regard either to the market supply of the product or the market demand for it. Manifestly contrary as this proposition is to the simplest requirement of social law and order, and irreconcilable as it is with the plainest of all economic facts, it is yet urged with a degree of earnestness, not to mention the degree of force, that leaves no room to doubt the absolute sincerity of at least the vast majority of its advocates.

There must certainly be an adequate cause for this serious social phenomenon, and there is. The demand for a change of our money system is not without its reason. "Dear" money, scarce money, gold basis money, has indeed been getting dearer and scarcer right along, and so has been obtainable with gradually increasing difficulty, and therefore only through our giving up more and more of our products for it. But we would find that while it has thus been a snare to those of us who have to use it in producing the things we sell, that is, those of us who are not wage earners, cheap money, 16 to 1 silver money, would be a delusion to those who have to buy with it, which is all of us together. We would find that while gold basis money has indeed been cheating the farmer, the manufacturer and the merchant, silver basis money would be worse and cheat us all. We would find, if we tried the silver experiment, that the evils of commercial, economic and political disorganization which now trouble us would not be gotten rid of by the change, but that the change to silver would only change the aspect of our trouble and only change the greatest suffering from one class to another. We would find that while under the present gold basis system the creditor is gradually gaining at the expense of the debtor, under the proposed silver system the injustice would simply be reversed. The injustice that exists demands to be righted and

must be righted; but injustice cannot be righted by injustice; it must be righted otherwise.

But it must be *righted*. We must make a change that shall effect justice without doing injustice. We must make an essential alteration required.

The old system has become completely outgrown by the vast expansion of our industry and commerce. The machinery of exchange—money and credit—as it is organized and exists to-day, is too limited in capacity to longer serve its purpose. The machinery itself, our credit system, could be easily made to do more, or be easily increased, but the engine, our money system, the motive power that drives the machinery, is too antiquated, too light and too rickety to do its work. Our money engine is overtaxed with the work it has to do; its load is much too heavy and it has long been overloaded. Our Medium of Exchange Inadequate.

We must get a new engine; we can add new machinery as we need it. We must have a new motive power; our credit machinery works well enough, but our money machine won't keep it going any more. It has been slowing down for years past; in 1913 it stalled completely, and though we got it going again by lightening its load, it looks now if it might stall again at any moment. Our Credit System Effective.

We must build a new and more powerful financial motor. We must make for ourselves a medium of exchange, a currency, that shall combine all the sterling qualities of gold with all the plentitude of silver; a currency that shall be absolutely honest and impartial in its workings, that will not be dishonest and extortionate to the debtor as gold has gotten to be, and not dishonest and a swindle on the creditor as 16-to-1 silver would be. We must get a currency whose exchange value will remain a constant factor; a currency that will not rise in relative value through scarcity as gold has risen, nor fall in relative value through plentitude as silver has done. We must have a currency that will accommodate itself in quantity to the wants of trade; that will be ample and not more than ample for all the needs of industry and commerce; that shall not chill our body social through sluggish and insufficient circulation as our present gold basis currency does, nor cause us a financial fever through monetary plethora as free silver coinage would. Our Money System Defective.

Gold does not meet all these requirements. Silver would Neither Gold nor Silver nor Fiat. 8

not meet them all, and "Fiat" money would meet none of them. 9

Something is needed that will fulfil all these desired conditions, something that will meet all the requirements of a perfect money.

To deal with statistical figures in considering this problem is as thoroughly misleading as it is utterly useless; it were as rational to attempt the solution of a problem in calculus with arithmetical figures. The subject can be dealt with comprehensively only by dealing with its elements as we would deal with the elements of a problem in algebra; we must consider only quantities, and never mind the size of them. Any attempt to deal with statistics and sums only results in confusing the mind and befogging the subject; we have underlying principles to deal with, and they alone concern us. We have to deal with the relation of production to exchange, with the relation of the services exchanged to the medium of exchange, with the relation of the quantity of business to the quantity of the money and credit through which it is effected. Arithmetical statistics useless and misleading.

Gold money is not a perfect money; it is made of a commodity, and its exchange value is therefore determined by the same law that determines the exchange value of any other commodity, the law of supply and demand. When the demand for gold increases beyond the supply, the same thing happens to it as happens to wheat or wool when the demand for these commodities goes beyond the supply; gold "goes up" in exchange relation; that is, it takes more of other things to exchange for it. The market value, the price, of gold, goes up, as measured in commodities, which means, of course, that the price of commodities as measured in gold, goes down. Gold Money an imperfect measure of other commodity values.

Gold and gold money being the measure of our market values, it follows that every increase in the quantity of commodities and of services (commodities being but services in a concrete form), which is not accompanied by a relative increase in the quantity of gold, inevitably results in an increase in the exchange value of gold, and thus in a decrease of the price of commodities as measured in gold money. Increasing exchange value of gold due to increased requirements of business.

The rise of the exchange value of gold, that is, the decline in the price of other things, has been going on during the past twenty years and more through the rapidly increasing production of commodities, and the consequent increasing demand for a medium of exchange (money and credit) in effecting the ex-

changes of the commodities. The increasing demand for gold for use in the arts has been but an insignificant factor of this condition. The increase during the present generation of the number, extent and volume of the exchanges in the industrial and commercial world has been vastly beyond the experience of any preceding generation. The facility of effecting exchanges has been enormously increased through the reduction of the space of time in which the exchanges can be made; the material for the exchanges has been still more increased by the stupendous increase in the capacity of production; and the quantity of exchanges resulting from increase of both their number and their magnitude, the total amount of "business" has completely overgrown our existing medium of effecting it.

Gold being the basis of our medium of exchange, it follows that at every increase in facility of exchange that is not accompanied by a relative increase in the facility of obtaining gold, must inevitably result in an increase of the exchange relation, the higher market value of gold, and therefore in a lessened exchange relation, the lower market value, of all other commodities, as measured in gold and gold money. This relation of gold to other commodities, as the measure of their market value, is absolutely inimical to the interests of commerce, and its results in general have been more or less detrimental to all who are engaged in the production and exchange of commodities, and correspondingly favorable to all who are engaged in the production and exchange of gold and of money made of or based on gold. In other words, our existing gold basis works inevitably towards a higher purchasing power of money, and a lower market price of other commodities.

We do "business," that is, effect our exchanges (except barter), through a medium of exchange, Money and Credit. But business, being exchanges of quantities, must be measured as such, and the medium of exchange must accordingly be the measure of those quantities. In other words, the amount of money and credit employed in a given space of time is the measure of the amount of "business" in that space of time. Thus the sum total of the medium of business, money and credit, must measure, that is to say, must equal the sum total of business. When the volume of business increases faster than the volume of the medium, that is, when the quantity of exchange

increases more than the quantity of money and credit, then the larger quantity of exchange must be measured by the smaller quantity of the medium, and the number of units of medium in which the larger quantity of business is expressed must be reduced accordingly.

The unit of the medium of exchange we call a "dollar." So, when, for instance, exchange increases four fold, while the medium increases only two fold, then each amount of exchange is measured by half the amount of the medium. In other words, when four times the amount of business is measured by only two times as many dollars (whether money or credit does not matter) then each item of exchange is expressed in one-half the number of dollars. That is to say, the exchange value of each one dollar is doubled, which is the same as saying that the exchange value of commodities, their "price" as measured in dollars, is reduced one-half.

That is about the condition of affairs that has come to pass. The total quantity of production and exchange, the volume of business, has enormously increased; the volume of the medium, the quantity of dollars, the total of cash and credit, has also more or less increased, but not correspondingly.

The reason why business (production and exchange) and the medium of business (dollars of money and dollars of credit) have not increased correspondingly is simply the fact that the possible sum total of production and exchange is absolutely unlimited, while the possible sum total of the medium of exchange, under our existing gold basis system, is definitely limited by the quantity of gold.

Business might be expanded indefinitely if we had an adequate medium of effecting its exchanges, but that medium, the total of money and credit, cannot be indefinitely expanded, because the amount of credit that can be created is limited by the amount of money that is created.

The reason why the amount of credit that can be created is limited by the amount of money that is created is the fact that all exchange credits, that is, all credits used in the exchange of commodities, must be discharged through money, or through other credits based on money, within a certain average space of time. Any exchange, or any number of exchanges, can be effected through our existing system of money and bank credits

Increase of Exchange without increase of the Medium means lower rate.

The Medium much increased.

Production also more increased.

The Medium limited but Production unlimited.

Quantity of Credit limited by quantity of Money.

Money necessary to discharge credits.

Quantity of Credit therefore limited by quantity of Money.

Gold Basis Money inimical to commerce because of its increasing exchange value.

Money and Credit the Medium of Exchange.

Amount of the Medium measures amount of Exchange and therefore rate of Exchange.

in a sufficient space of time, but the sum of those exchanges is limited by the sum of the bank credits within the same space of time and the sum of the bank credits at any given time, under our banking system, is limited by the legal requirement of a twenty-five per cent. money reserve during all the time, and therefore definitely limited at all times by the amount of money that is in existence. As the amount of money that can safely be created under our existing system of gold redemption is limited by the quantity of the gold in which it is redeemable, and the quantity of gold itself is definitely limited, it follows that the entire quantity of our medium of exchange, money and credit, is likewise, at any time and at all times, definitely limited.

To recapitulate: The sum total of the medium of exchange is made up of three items:—

a. Credits applicable as a medium of exchange, that is bank credits, based partly on money and partly on property (commodities, products and other things), but definitely limited in quantity by the necessity of a definite reserve of money.

Quantity of Money limited by Gold Redemption.

Bank Credits limited by Money Reserve.

b. Credit money—that is, paper money, based wholly on the credit of the government; and silver money, based partly on the credit of the government and partly on the silver itself, but all of it definitely limited in quantity by the necessity of redemption in gold.

Money Reserve limited by quantity of Money.

Money limited by quantity of Gold.

c. Gold money (bullion and coin), itself definitely limited in quantity.

Gold limited in quantity.

As each item of the total is definitely limited in quantity it follows that the entire total is likewise definitely limited.

All therefore limited in quantity.

The comparative scarcity of gold through the increase of demand or its use in exchange, has latterly been augmented, partly through the hoarding away of large quantities of the metal by European governments and people in anticipation of war, and partly through the storing of gold in place of silver as money of redemption by certain powers, so as to conform their exchange system to that of other commercial countries. These withdrawals of gold from the channels of exchange thus reducing the supply of the metal, and the addition of new systems of credit based upon gold thus increasing the demand for it, has, of course, been marked by the steady increase in its exchange value and the corresponding decrease of the exchange value or price of other things as measured by it. Very re-

Hoarding of Gold increases its Scarcity, and therefore raises its Market Value.

cently this condition has been further emphasized through fear of disastrous legislation in this country, by reason of which gold is being still further hoarded and the exchange value of gold is accordingly still rising, and the price of other commodities, as measured in gold, is still further falling.

The better to understand these conditions let us review the subject with the light on the opposite side, and consider its aspects under a reverse succession of cause and effect. Let us consider what would happen if the supply of gold were to be presently increased. Let us imagine that some bonanza gold mines were discovered this year, like the bonanza silver mines that were discovered twenty years ago, and gold began pouring into the markets of the world as silver has done since then. What would happen if a great big gold lode were somewhere opened, from which an indefinite amount of gold could be gotten with much less labor than it takes to get it now? What would happen? Gold would become more plentiful, or rather, indeed, less scarce, and more of it could consequently be had for other things; its exchange relation, in other words, its market value, would fall as the supply increased, that is to say, other commodities would go up in price as measured in gold and in money based on gold.

Reverse of these conditions.

With Gold more plentiful Prices would be higher.

Thus the exchange value of gold and gold money constantly fluctuates by reason of changes in its own supply and demand, apart from all changes in the supply and demand of other things. Gold money is, therefore, untrustworthy as a standard of market value, because it is a fluctuating standard.

Exchange value of Gold constantly fluctuates.

As a standard of market value it is misleading to both buyer and seller, and through having generally cheated the buyer has restrained business by making him apprehensive of buying. Furthermore, as a standard of debt, gold is equally misleading. It has generally, and latterly very sharply, cheated the borrower, and made it increasingly difficult for him to pay. But, on the other hand, if it were to become more obtainable through increased supply or decreased demand, its fluctuation would tend downward, and it would become a snare to the seller and a fraud upon the creditor. Therefore, gold must be abandoned as the standard of market value.

Gold therefore a false Standard of Exchange Value.

But precisely the same conditions as those which control the relative value of gold, and gold money, control also the relations.

Silver controlled by similar conditions.

tive value of silver and of silver money. The action of cause and effect is absolutely the same, but the effects in the case of silver are magnified by reason of the greater magnitude of the actual quantity. Like gold, wheat, wool, or any other product, silver also is a product, a commodity, and its relative value fluctuates like that of other commodities. But the supply of silver being greater than that of gold, and its quantity therefore larger, its fluctuations proceed on a correspondingly larger scale, and it is therefore correspondingly less qualified to form the standard of market value.

The exchange value of silver goes up and down according to the changes in its supply and demand. It goes down as the supply increases, and as it did after the great Bonanza mines were opened; and it goes up when the demand increases, as it did when our Treasury began to buy large quantities under the silver purchase law of 1890. But it goes down again when the supply overbalances the demand, as it did soon after we began to hoard it in our treasury vaults, and it goes down as long as the demand is not fully equal to the supply. If the demand for silver were increased in any way whatever, its market value, that is, its exchange relation to all other things, would not increase if the supply of the metal increased along with the demand. This condition is innate in the nature of things, and no law, convention or agreement could possibly avoid its workings, because nature works with inexorable force and absolutely positive certainty.

Silver would go up in exchange value, in consequence of the inevitable workings of supply and demand, if the demand for it could be increased without the supply also being increased, but it would not go up in exchange value, neither in its relation to gold nor to any other commodity, that is to say, it would not buy more of gold nor of any other thing than it does now, if the supply increased along with the demand.

The "Standard Dollar" law of 1878, the amendatory act of 1886, and the Silver Purchase law of 1890, arbitrarily created a demand for silver and would have kept up its exchange value, and perhaps increased it, if we had at the same time kept down the supply. So long as we put away in holes under our Treasury building as much silver as we are digging out from the holes in our mountains, its exchange value kept up, but we

neglected altogether to keep down the supply. We might have kept down the supply by putting a tax on its production, and could have kept it down more effectually by making it a penal offense to mine it any more. We might, if necessary, have cut off the supply altogether by imposing a prohibitory tariff on foreign silver and a heavy penalty for smuggling it in. But we omitted to keep down the supply of the commodity; on the contrary, by creating an artificial demand for it we put a premium on new supplies. The result was that the exchange value of silver gradually declined as the supply of the metal increased. The decline continued with a persistence that was only as positive as it was inevitable, and we finally abandoned an experiment whose failure should have been foreseen. We stopped it after buying under the "Bland" and "Sherman" Acts nearly twenty thousand tons of the commodity in a market that was steadily falling because the supply was steadily increasing, and after storing almost all of it away in expectation of a rise that could not, in any natural course of affairs, ever take place.

But with this failure and its results still staring us in the face, it is now proposed to repeat the same experiment in another and more foreboding form, on a larger scale and with correspondingly more far-reaching and serious results. It is proposed to attempt by law to effect an equality of exchange value between the plentiful commodity silver and the scarce commodity gold, without either increasing the supply of gold or decreasing the supply of silver. It is true that we might again increase, to some extent at least, the demand for silver as we might increase the demand for any other commodity by a law requiring everybody to use silver, or any other commodity, as a medium of exchange, but the *quantity* of the demand, in other words, the *rate* of the exchange, could not be regulated by law any more than law can regulate the size of an appetite or the urgency of a desire. The law could dictate the *supply* of silver, but the *demand* for it could not be dictated by law, and, therefore, its exchange value would remain dependent on the relative quantity of the demand. This being the case, it follows that it is impossible to regulate the exchange value or market price of silver, or any other commodity, either by agreement or by law.

Silver being thus subject to fluctuations in exchange value the same as gold, and it being impossible to regulate the exchange value of either metal by law or otherwise, it follows that neither gold or silver can be made to serve as a basis for an honest and equitable medium of exchange. The increasing scarcity of gold, through increase of demand over supply, has resulted in adding to the burden of the debtor, and has stalled business by making it impossible for him to buy or borrow, while on the other hand the increasing abundance of silver, through increase of supply over demand, would inevitably prove a fraud upon the creditor, and would eventually stall business by making him unwilling to sell or lend.

But while neither gold nor silver, nor any other commodity can possibly afford an equitable basis of exchange, because all are subject to fluctuations in exchange value, a basis of more than one commodity, such a bimetallic basis, must necessarily be defective throughout the same cause, and may be regarded as practically out of the question, for the one simple reason that it is impossible to maintain it. In point of fact there is no system on a bimetallic basis in existence, and if created, whether by national or international agreement, it would not continue to exist.

Gold and silver being subject to fluctuations in exchange relation to each other, and to all other commodities, through changes in their supply and demand respectively, money made of the two metals at an equalized ratio (coinage at relative parity), is liable to become unequalized through those changes. When an equalized coinage of gold and silver becomes unequalized through such a change, then the coinage which is the most valuable is naturally demanded as the medium of redemption for the other coinage, and if maintained as such it necessarily follows that it becomes the sole basis of the medium of exchange, the "standard" of the entire money system, and the other kind of money is accepted in exchange only so long as it can be exchanged with the standard. Thus, when the amount of gold which is stamped as a piece of money, has a greater exchange value than the amount of silver which is stamped as an equivalent piece of money, in other words, when a gold "dollar" is "worth" more than a silver "dollar," then the gold money forms the real basis of the currency, and the

Both Gold and Silver subject to the law of Supply and Demand, and therefore neither a proper money basis.

A bimetallic basis subject to the same defect.

Bimetallism, only a name.

A bimetallic basis inevitable becomes Monometallic.

Only one standard can be maintained

The money of Redemption

silver money remains a part of the money system only so long as it can be evenly exchanged for the gold. So long as it can be so exchanged, the silver forms part of the money system as a credit money, and, although, only part of its credit is based on redemption, it is still only credit money, and the system as a whole is based on the money of redemption, which is gold. The system is, therefore, not a bimetallic system, because it has not a bimetallic basis; it is not a combined gold and silver system, but only a gold basis system, simply a monometallic gold system.

But, if the silver money were made the money of redemption then the system would become a silver basis system, and consequently not a bimetallic, but simply a monometallic silver basis system. But in this case there would be no one, not even a government, that could guarantee the return to each possessor of gold money the difference in its exchange value. Thus he would lose if he changed evenly on the silver basis, and, therefore, the gold money would be withheld from exchange, except at its own exchange value. In other words, the gold would go out of circulation, and would be exchanged only at a "premium." The quantity of that premium would finally be measured by the difference in the exchange value, the market price, of the respective metals.

But even though the metal having the lower exchange value, that is, the cheaper metal, remains in circulation as the medium of exchange, the exchange itself, the buying and selling, would continue to be made on the basis of the exchange value of the scarcer and dearer metal, because the demand is always for the more valuable metal. Thus, if an exchange is made between a possessor of wheat and a possessor of money, the possessor of wheat will naturally call for a certain amount of the scarcer, dearer, and therefore, preferable money; but if the possessor of the money has not the scarcer and more valuable kind of money to give in exchange, then, if the exchange is made at all, he must give as much of the more abundant and cheaper kind of money as the possessor of the wheat would require to buy the other money with. In other words, when gold is at a premium, the price of things in silver is still measured by their exchange value or price in gold. This condition results as a

The System becomes Monometallic.

Silver redemption means Silver Basis.

A Silver Basis puts gold at a premium.

Silver as the basis of the Medium of Exchange still leaves Gold as the Standard of Exchange.

matter of course, because it is due to a perfectly natural requirement on the part of the seller.

It thus becomes apparent that while neither gold nor silver can be made an equitable basis of exchange values, because both are commodities, and therefore subject to fluctuations in their exchange relation, a basis of both metals can only accentuate these conditions. A bimetallic currency system might be arranged, wherein a certain quantity of credit money and bank credits were based on certain quantities of metallic redemption money, composed, say, equally of gold and silver. But if a change in the supply of one or the other of these metals were to take place, that having the greatest supply would fall below the exchange value of the other, and thereby that other would become the sole redemption money, not alone for all the paper money and credits, but for the other metal money also. If the combined quantities of gold and silver were only enough to serve as the redemption medium of the credits based on them together, then one alone would certainly not suffice. Both of these conditions are being exemplified in our current experience. We have a money system which was originally a bimetallic system, but which has inevitably become a monometallic system, a system based on gold as the money of redemption. It remains so based, because the national promise stands pledged to keep all our money, our silver and our paper money, on a par with gold.

It was, indeed, a foolish promise; it was foolish, because we could not reasonably look forward to controlling the relative supply of gold and silver, and therefore could not reasonably assume to maintain their parity at 16 to 1. But we furthermore made the senseless mistake of hoarding away a commodity which we might have exported, and issuing paper money which we imagined was based on the commodity, but which in reality was based on our credit, on our promise to keep the paper money issued for the silver on a par with gold. The Treasury notes were current at gold value because they were redeemable in gold, and the deposit of silver bullion was therefore superfluous. We thus lost the use of over 300 millions of silver which we hoarded away, and the greater part of which would otherwise have found its way to foreign markets at such price as those markets would afford. If that silver had been

Bimetallism worse than Monometallism, because the Basis of the Medium is liable to shift.

Our Bimetallic system became Monometallic.

Our promise to maintain Parity was foolish.

Our Silver Hoard a Mistake.

Treasury notes current on a Gold Basis.

left on the market at such prices as it would bring, it would have changed the balance of trade in our favor by at least 200 millions, thus making good the drain upon us in the liquidation of our securities, which were thrown upon us by Europe after the Panama collapse and the Baring failure. It was the liquidation of these securities, the drain on our gold reserve, and the consequent undermining of our credit foundation that brought on the panic of 1893, with all its destruction of credit, its consequent shrinkage of values, and its attendant train of loss and suffering. There was nothing to be gained by storing silver when, under a promise to maintain the parity of all our money with gold, it was inevitably gold that had to be given in redemption. There was nothing really to be gained by the silver storage. The only thing that was in it besides a profit for silver producers, was politics, and not even that, but only *puddleticks*; it was mostly done for *puddletickle* purposes by *puddleticians*, statesmanship, *real* statesmanship wasn't in it.

The Hoard of Silver there-fore useless.

It should have been marked at whatever price.

The Hoard a loss to Business.

Nothing in it but cheap politics.

But our National promise must be kept.

But our promise to keep all our money at parity having been made, and made by all of us to each of us and to all the world, we have had to keep that promise and we are keeping it, *as yet*. We have kept our bimetallic money on a monometallic basis; we have kept all our money and all our credits on a monometallic basis, and that basis gold. But at what cost of toil and trouble have we done so? and at what cost of even suffering are we doing it now? Our industries are restricted through inadequate means of effecting the exchanges of our products, our commerce is fettered through inadequate means of keeping its processes in motion; our entire monetary system is being constricted through the tightening band of an inadequate credit basis, and our whole social organism is suffering from financial anemia.

Our Gold Basis System an incubus on Business.

Have we no alternative but to keep getting thinner on gold or fill up on a dried-apple diet of silver? A cheap silver basis for breakfast, unlimited free silver for dinner, and for supper permission to swell up and—; but never mind, it won't come to that. Nature does not work for its own destruction, but only for its evolution. We would feel sick after breakfast and want an emetic for dinner; for supper we'd have a tired feeling, and next morning we'd have a bad taste in our mouth, perhaps a *Katsenjammer*. But it needn't come even to that. We can

The incubus of Gold, the folly of Silver and the madness of "Fiat" can all be avoided.

escape from the constriction of the gold boa without having recourse to the poison of silver; we can save ourselves from paralysis on the one hand and from torment on the other; there is a way out between the Scylla of gold and the Charybdis of silver.

We can organize a medium of exchange that shall be a *medium* and nothing else; that shall be a *medium* of exchange only and not itself a *material* for exchange; that shall serve to measure exchanges instead of exchanges serving to measure it. We can arrange a measure of market values which shall be controlled by the market instead of the market being controlled by it, a measure which shall follow the market instead of the market following it. We can formulate a medium of exchange, which instead of compassing the exchange of commodities, and therefore, the market price, shall itself be compassed by the exchange of commodities, and leave the price to be controlled by the commodities themselves.

What shall it be? If neither Gold, nor Silver, nor "Fiat," then what? Let us first plan it, as we would a vessel; we can name it afterwards.

Let us apply the principle of the correlation of forces in economics as we have learned to do in physics. We have a system of credit based on money; let us round it out with a system of money based on credit. Let us thus complete the circuit of the economic current on a strictly scientific principle, and, with due wisdom, in an equally scientific manner.

We have demonetized silver because it fluctuates; let us proceed to demonetize gold as well, and for the same reason. We demonetized silver because it rose above 16 to 1; let us go ahead and demonetize gold because it has risen above 1 to 16. Let us utilize something as a basis for our currency that will not fluctuate at all. Let us get something of which there is an endless quantity, and of whose quality there is no earthly doubt; let us take the *Credit of the whole People of our Union* and base our currency on that. Not "Fiat" money! No! Nothing of the kind; but *absolute* money, *sound* money, *honest* money; more absolute than any on a metallic or bimetallic basis, more honest than gold and more sound than silver.

How? By reorganizing our whole currency system with a view ultimately to its complete unification, but primarily to its

perfect quality as a medium of exchange, and by a process so arranged as regards its successive steps as shall least disturb the existing system.

We can attain the end in view, a unified currency of perfect soundness, and of perfect quality as a medium of exchange, a currency whose quantity shall always be sufficient for all the requirements of trade, and never more than sufficient for trade requirements, by creating a paper currency exchangeable on demand for interest-bearing bonds of the United States, and these in turn convertible on demand back into the currency. The interest to be payable in gold or silver at the option of the holder, in the ratio of 16 of silver to 1 of gold. This option will secure the payment of the interest in the money of the highest exchange value, because a possible increased supply of gold may at some time change the present relative value of the two metals so as to make silver at the 16 to 1 ratio preferable to gold. Thus the quality of the interest would be completely secured to the receiver. So long as gold at 1 to 16 was preferable he could have his interest paid in gold, and if silver at 16 to 1 was preferable, his option would secure him his preference.

Such a currency would be as good as the bonds, because it could be exchanged for them, and the bonds would be as good as gold, because the interest would be payable in gold, and as good as silver, because the interest could be had in silver, if any holder so preferred. Inasmuch as the bonds would be as good as the quality of the interest that could be had out of them, and the currency would be as good as the bonds that could be had for it, it follows that the currency would be as good as gold and better than silver, and manifestly in many respects preferable to either.

To attain this end let us proceed as follows:—

1st. Repeal the law requiring the existing "greenback" currency to be reissued after redemption.

2d. Authorize the Treasury of the United States to issue bonds in exchange for any of the paper currency of the United States, *but not in exchange for coin, neither gold nor silver*. The bonds to bear interest at three per cent., payable in coin of present coinage standard, either gold or silver at the option of the holder, and redeemable in like manner, that is, in gold or silver coin, at the option of the holder. These bonds

The Medium of Exchange should be controlled by Exchange instead of controlling it.

A new system.

Correlation of Money and Credit.

Silver demonetized.

Gold should be demonetized.

Plenary Credit an unfluctuating Basis.

The principle to be applied in a reorganizing Currency.

A Currency should be ample and not redundant.

A Currency and its Basis should be fully interchangeable.

A currency based on interest-bearing Bonds as good as the Bonds.

Gold interest Bonds as good as Gold.

How to reorganize.

Make U.S. Bonds exchangeable for Paper Money but not for coin.

to mature, say in thirty years, with government option to redeem them at any time after ten years.

3d. Authorize the Treasury to issue paper currency *not redeemable in coin at all*, as our present currency is, but, like all our other paper currency would be, exchangeable on demand for the convertible bonds. Let the lowest denomination of this new currency be \$2.00, so that the existing silver coinage may remain in circulation.

4th. Make all the existing bonds of the United States convertible on demand into this convertible paper currency on a three per cent. basis. That is to say, capitalize all the existing bonds at three per cent. per annum for their unexpired term, and make them convertible into currency at that rate. This would be tantamount to converting the bonds at their market value, the various issues standing at a premium equivalent to capitalization for their unexpired term at three per cent. By this operation the government would lose nothing, as the amount paid for any given bond would only be as much as that bond would cost the government (principal and interest) by the time it is paid off.

5th. The preceding provision would, in effect, repeal that portion of the National Banking law which limits the currency obtained by the banks to ninety per cent. of the face value of the bonds deposited for the currency, because they would thus get the full value of the bonds on a three per cent. basis, instead of only ninety per cent. of their face value on the existent higher interest basis. This would turn into the channels of exchange a large amount of credit which is now practically dead, and would thus remove a useless restriction on the facility of exchange in general.

The general effect of such a system of currency would be to displace gold as the basis of our circulating medium and replace that metal with the Credit of the Nation. The exchange value of gold is finally dependent on its standing throughout the world; the exchange value of our national credit is finally dependent on the standing of our Union and of the people composing it. That our national credit is as "good as gold," and that we are able to keep it so is manifest from the standing of our bonds in the markets of the world to-day, and that we can keep it so is evident in the light of our almost boundless re-

sources. But another, and for us all, the practical effect of such a currency system would be to establish a *positive usufruct* that is to say, a *definite interest income*, instead of a fluctuating commodity, as the measure of exchange values. In other words, instead of the fluctuating value of gold metal, a *norm*, or measuring mark, of three per cent. interest (income) would become the standard of all exchange values.

At present gold is the basis of the medium of exchange, that is, all exchange values (market prices) are measured in gold money or credits, and the quantity of all exchange values is therefore determined by the quantity of gold.

Gold being discarded as the basis of the medium of exchange the quantity of gold would cease to determine the quantity of exchanges, and the exchange value of gold would cease to be the norm, the measuring mark, of other exchange values. In other words, the market price of gold would no longer determine the market price of other commodities.

Credit having replaced gold as the basis of the medium of exchange, the exchange value of the credit would become the norm, the determining mark, of other exchange values. In other words, the exchange value of commodities would be determined by the exchange value (the market price) of the basis of the medium of exchange (credit), and the exchange value of the credit would be determined by the amount of its interest or income. *The amount of interest or income obtainable from credit with no risk, care or labor in its obtainment is the norm, the determining point, of the value of credit.* As that norm would be determined at three per cent. per annum, all other incomes, including profits on production and exchange, that is, profits in "business," would be related to the norm or measuring mark of three per cent. according as the amount of risk, care and labor of obtaining the income or profits is greater or less than that of the norm. Thus it follows that interest at three per cent. per annum would become the norm or measuring mark of exchange values, and that the exchange values of all commodities, as measured by that norm of credit, the price of all commodities as measured in the credit money, would be related to the money according to the supply (the care and labor) and the demand (the risk) of the commodities themselves, in other words,

Definite Income the Standard of Value.

Gold now the Standard of Value.

Gold discarded as the Standard of Value.

The value of Credit as the measure of value.

Amount of Interest Measures Value of Credit.

Perfectly secured income the Standard of Credit.

Perfect Credit as the Measure of Values.

According to the care, labor and risk of the respective kinds of business.

The immediate result of the adoption of such measures as here proposed, would be that whoever wanted to obtain the three per cent. coin bonds—there were 550 millions called for when 100 millions were offered a while ago—would, if they had only gold on hand, have to go into the market to get paper currency or bonds for it, and those who then expected to pay for the bonds that they bid for with gold that they intended first to draw out of the Treasury in exchange for their paper money, would find their paper money preferable to gold, because it had power superior to gold.

This would effect the demonetization of gold, that is, it would draw away with gold, as silver has already been done away with, as the basis, the redemption medium, of the medium of exchange.

The primary result of the demonetization of gold as the basis of the medium of exchange would be to increase the supply of gold in the market and to decrease the demand for gold both in the market and at the Treasury, and through the combined action of increased supply and decreased demand the exchange or market value of gold would decline from its present level and the exchange value of everything else in relation to gold, that is, the price of everything else as measured in gold or gold money, would rise accordingly. Gold, however, would still remain as the measure of interest, but inasmuch as the quantity of the demand for gold would be decreased, the quantity of its fluctuations would be correspondingly decreased, and therefore the tendency to increase in its exchange value or purchasing power through limited supply would also be correspondingly decreased. But the exchange value of gold as measured in credit, the relation of gold money to other money, would not be changed; that is to say, the exchange value of a gold dollar as measured in any other kind of a dollar would not be changed; every other kind of a dollar would continue to be exchangeable for a gold dollar, and therefore as good, and the gold dollar would continue to contain 25 $\frac{1}{2}$ grains of standard gold. The only change would be that a dollar's weight of pure gold, 23 $\frac{1}{4}$ grains, would not exchange for as much of other things as that weight does now.

On the other hand, the exchange value of goods and chattels as measured in other goods and chattels would not be changed by this procedure; it is only their exchange value in relation to gold and gold basis money that would be changed. A pound of wheat and a pound of cotton would continue to exchange for each other the same as they do now, according to their relative supply and demand, and the only change that would ensue would be that a pound of wheat or a pound of cotton would exchange for an increased weight of gold, that is to say, an increased amount of gold money or gold basis money. Thus, in relation to all other things besides money itself, there would be a certain quantity of decrease in the exchange value of our gold, and therefore of our money and credits based on gold (dollars of gold, silver and credit), and correspondingly a certain quantity of increase in the exchange value of our other things, our goods and chattels.

In other words, our dollars would thus represent less values, and accordingly our values would represent more dollars.

This would result as follows:

1st. Inasmuch as the total exchange value of our goods and chattels is enormously greater than the total exchange value of our money, in other words, inasmuch as the total money value of our lands, houses, roads, bridges, fixtures, and commodities, of our goods and chattels of every kind, is vastly and incalculably greater than the total money value of all our dollars of every kind, gold, silver or paper, it follows that the rise in the exchange value of our goods and chattels will enormously overbalance the decline in the exchange value of our dollars. That is to say, while we would lose so and so much by the depreciation of our gold and gold basis money and credits, we would on the other hand gain many times so and so much by the corresponding appreciation of all our other property.

2d. There would thus be an increase in the total quantity of exchange value (that is, the total of money value, the total of value as measured in dollars), and this increase in the total quantity of exchange value would form the natural basis for a corresponding increase of exchange credit, thus resulting in an increase of the exchange medium, which is money and credit together. In other words, the increase in the money value of our goods and chattels would result in an increase of

the money credits based on the goods and chattels, thus resulting in an increase of the exchange medium, and thereby affording a means for the increase of exchange, of business.

3d. The increase in the total of the medium of exchange—^{Interchange of Money and Credit.} money and credit together—would thus accrue through the increase of the quantity of credit alone, but the increase in the quantity of credit without an increase in the quantity of money would make the interchange of money and credit, the discharge of credits, necessarily slower, that is to say, would necessitate the credits being "longer. In other words, if we have more credit and employ it in business, without having more money ^{Discharge of Credit through Money.} to discharge the credit with, we can only do so by "paying off" the credit at longer intervals of time.

4th. Time, however, is but the measure of change, of the procession of causes and effects which result in altering the position, location and condition of things. ^{The Element of Time.} The causes and effects which have already succeeded have each in turn altered the condition of things; that condition, at any stage preceding the one in progress, we call the Past, while that in progress we call the Present, and that which will progress we call the Future. ^{Credit the Measure of exchange of Present Values for Future Values.} Our knowledge of the conditions of the Past is at best imperfect; our knowledge of the conditions of the Present is more imperfect, while of the conditions of the Future we have no knowledge whatever, but only "judgment," based on the Past and the Present. "Credit" being simply the measure of the exchange of things now for other things in the future, the extent of the credit—the quantity of the exchange—depends on the certainty of the future, and that can always be only "judged" or estimated. ^{A Season of the Year the normal extent of Credit.} We estimate the future on the basis of our experience of the past and our knowledge of the present, but experience teaches us that we cannot reasonably estimate the future beyond the space of a season, a few months at the farthest. ^{Confidence of Security an element of Credit.} The normal average extent of credits is thus, in general practice, restricted to the space of a season's length, a quarter of a year, and credits less than that extent are regarded as "short" and those greater than that, as "long." ^{The Medium of Exchange as contracted through lessened Confidence and and loss thereby entailed.} If we estimate the future favorably, that is, if we have "confidence" in the future, we extend credit, increase its quantity. But if we estimate the future unfavorably, that is, have not "confidence" in its outcome, then we "contract" credit, decrease its

quantity. Thus the quantity of exchange—of business—is subject to great fluctuations through changes in the conditions of the Present and the consequent changes in the aspect of the Future. When present conditions develop unfavorably and cause distrust of the future, credit, the largest component of the medium of exchange, shrinks in consequence. Thus the medium of exchange (money and credit together) is diminished in quantity by the lessened amount of credit, and the medium, through becoming scarcer, becomes "dearer." It rises in exchange value, that is, its purchasing power expands, and through the corresponding shrinkage in the exchange values of goods and chattels, the shrinkage of "prices," great loss ensues.

By reason of this very loss, the degree of confidence is still further lowered, and thus the quantity of credit and therefore of business is still further decreased, until, if these causes and effects continue, and are not interrupted and counteracted, the number and size of the exchanges, the quantity of business, falls to the level determined by practical necessities. ^{Losses still further lessen Confidence and still further lessen Medium of Exchange.} Such is our condition now. If at a time of such general disturbance, when credit inevitably shrinks in quantity and business is depressed accordingly, money could be expanded in quantity, the diminution of exchange through shrinkage of the medium of exchange, and the consequent general loss would be avoided.

Let us consider whether this condition could be avoided, and in what manner this convertible money and credit system would do so. ^{A way to avoid these conditions.} We have traced the primary effects of the proposed demonetization of gold, and may now proceed to an analysis of the succeeding consequences of such a procedure.

The first effect we have found would be a diminution in the exchange value, that is, the market price of gold and gold money, with the corresponding increase in the exchange value, the market price, of all other commodities, as measured in gold, and the result of this we have found would be a general increase in the medium of exchange. ^{The Effect of the Demonetization of Gold.}

The next result of the proposed procedure would be that a certain quantity of our paper currency would be turned into the Treasury in exchange for the convertible bonds. ^{Conversion of Currency into Bonds.} What would be the relation of this quantity to the total of the existing quantity of currency? It would be determined by the

quantity of profit obtainable from the currency converted into three per cent. bonds, as compared with the quantity of profit obtainable from the currency as a medium of exchange. In other words, it would be determined by the quantity of income obtainable from money at interest, as compared with the quantity of income obtainable from money converted into commodities. That is to say, finally, it would be determined by the relation of three per cent. income from money funded with practically no risk or care to the income obtainable from money funded with greater risk and care, and employed in business as the medium of business, the medium of exchange.

Therefore as much, and only as much of the existing currency would be exchanged for the bonds as the conditions of business would determine, and on the other hand, as much, and only as much, of the existing bonds would be exchanged for the currency as the demands of business would determine.

That, however, is precisely the general condition now. Only so much money seeks investment in government bonds to-day, as to determine the income from the bonds at three per cent. But under a convertible bond and currency system, with an undeviating standard of exchange values established in place of the present fluctuating commodity standard, in short, with gold done away with as a constant disturbing factor, business would "revive," that is, exchanges would increase, as their outcome would be less uncertain. "Business," being freed from the restraints of an uncertain exchange standard, would "pay" better, because of less uncertainty; therefore more money would seek investment in business, and therefore, instead of conditions tending constantly towards the conversion of money into three per cent. income, as it does now, the conditions would be reversed, and would tend to withdraw money from three per cent. income and turn it into channels of the better paying "business," that is, into the channels of trade. Thus, under this proposed interconvertible credit system, instead of the quantity of bonds and other secured investments increasing, as is now the tendency, the quantity of bonds would tend to decrease, and the quantity of money—the medium of exchange—to increase correspondingly. This would go on until the balance between the two tendencies was once established and through the interchangeableness of the two

Amount of that conversion determined by relation of income from Bonds.

Conversion of Currency thus determined by condition of Business.

Business freed from the fluctuation of a Metallic Value-Measure would be more secure, would therefore "pay" better.

More secure Business would result in more Bonds converted into Currency.

forms of credit, the balance would practically remain established.

It is not improbable that, with production constantly tending to increase in quantity, as the Arts become facilitated through the advances of Science, and with the quantity of exchanges increasing correspondingly, the quantity of the three per cent. bonds remaining outstanding would fall to a minimum, and a further expansion of the medium of exchange, should such expansion become requisite for the requirements of exchange, would thus find hindrance. The fewer bonds there were outstanding, the less would be the amount of interest that the commonalty through its agents, that is, the people through the government, would have to pay. But this saving would be effected at a loss if it hindered the facile expansion of the currency whenever the requirements of trade demanded it, and an issue of bonds for the special purpose of such expansion of the currency might thus become necessary. Such bonds could be sold for coin, and the coin used exclusively for the interest payments thereon.

More Currency required as Production increases.

Interconversion of Bonds and Currency must remain unhindered.

The interest on such bonds as remained outstanding, being payable in coin (say gold), it would be necessary to provide the requisite quantity of gold, but it is manifest that the gold would be more easily obtainable than it is now, apart from the fact that only a comparatively small quantity would be needed per annum.

Gold for Interest Payments easily obtainable.

The principal of the bonds being payable in coin (say gold) that principal would have to be provided if it were desirable to finally to pay off the bonds, but inasmuch as it would not only be unnecessary, but contrary to all interests, to have the bonds finally extinguished, the only question remaining would be as to the rate of interest on the renewed bonds. If, in the course of time, the accumulation of unemployed capital were such as to tend to an undesirable amount of the bonds being called for as investments, and thus an undue amount of interest payments entailed, then the government option to redeem the bonds at any time after ten years could be exercised, and a reduction of the rate of interest on the renewed bonds could then be determined.

Gold for Bond Payment would not be desired.

Eventually interest might be reduced.

It goes without saying that the scheme of Credit Currency here proposed must be regarded as open to variation of detail,

but the principle that underlies the system, the doing away with gold as the basis of the medium of exchange, and its replacement by the credit of the entire commonwealth, unquestionably affords the only key that will completely unlock the fetters which now so grievously constrain the industry and commerce of our people.

We have heard much and often of the "enslavement" of "Labor" by "Capital." Yet what is "Labor" but something that can furnish an income? and what is "Capital" but something that can furnish an income? Is not their essence verily the same? Labor if not employed obtains no income. Capital if not employed obtains no income; is not therefore the actual interest of both essentially the same? There is, indeed, one point of difference; Labor without Capital, though halt, may yet obtain sustenance from the source of all our income, from Nature, but Capital without Labor is utterly dead. It is Capital that is most dependent; it is because Capital is trammelled by our wretched fiscal system, it is because Capital is restrained from freely effecting its union with Labor, that both have been halted in the process of advancement and both interests, all interests, are halted now. Let but Capital, the accumulated savings, the real and fundamental wealth of the people, be relieved from the fetters of our barbarous money system, freed from the medieval superstition that only metallic money is "good;" that only gold money is "sound;" that only silver money is "true," and Capital, loosed from these unnatural restraints, will bound into the open, there to seek Labor for the common end and purpose of both, the garnering of God-given good from Nature's infinite store.

Credit Currency sound in Principle.

Interest of Labor and Capital identical.

Capital more dependent than Labor.

Capital seeks Labor for its own interests.

Capital trammelled by our Present Money System.

Capital freed from its restraint would join Labor and both would gain.

19
10
11

12
13
14

**END OF
TITLE**